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CAUSES OF WAGE INEQUITIES IN THE HUNGARIAN ECONOMY

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In the changeover from a capitalistic to a socialistic wage system in Hungary, considerations of the utmost importance included: the practical realization of the principle equal pay, for equal work, the introduction of a piece-work system consonant with the principle of distribution according to labor, and the creation of a wage system which would be beneficial to industrial development. However, there have been several very adverse factors which have complicated the realization of a socialist wage system.

In many cases, wage regulations are not enforced according to the spirit of the law. Rather, they are interpreted arbitrarily, handled liberally, and often not enforced at all. Thus, wage discipline has become extremely lax and inequities have arisen.

Under socialist theory, an increase in wages is justifiable only on the basis of increased output. However, there is an increasing number of workers who are earning unjustifiably high wages, exclusively as a result of relaxed or obsolete norms, rather than on the basis of increased output. A natural consequence of the relaxation of norms is that the wage scale in the individual sectors of the economy has formed spontaneously and not in conformity with the intent of wage regulations.

The scope of this article does not permit an analysis of wage patterns throughout the economy, therefore, wage inequities in only the ministerial and construction industries and in agriculture will be considered.

In 1954, the average monthly wage of workers in the industrial establishments under the ministries was 11.5 percent higher than in 1953; in the construction industry, 10 percent higher; and in agriculture, 18.3 percent higher.

In the final year of the Five-Year Plan, the average wage of the workers in these sectors of the economy changed relative to one another, as is shown in the following table:

Wage Indexes in Certain Sectors of the Economy

<u>Sector</u>	<u>Average Monthly Earnings of Workers</u>	
	<u>1953</u>	<u>1954</u>
Ministerial industries	100.0	100.0
Actual construction (ministerial and local)	89.3	88.0
Agriculture	70.7	75.0

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The differential between the earnings of workers in agriculture and in industry is actually less than is indicated, if account is taken of payments in kind received by agricultural workers and of the fact that the seasonal nature of their work limits working hours. In fact, if agricultural workers, especially MTS tractor drivers, worked the same number of hours as industrial workers, their earnings would exceed those of industrial workers. Actually, greater wage inequities exist within the economic sectors than exist between them. The principal inequity between the sectors lies in the disparity in wages paid for identical work in different sectors. For example, skilled workers in the construction industry earn less than their counterparts in the manufacturing industry, even though they may be doing exactly the same kind of work.

Within the individual sectors, the various components compete for workers by paying unjustifiably high premiums and by relaxing norms. In many fields, unqualified workers receive more pay than qualified ones, and frequently the pay for heavy physical work requiring professional knowledge is less than for light physical work requiring professional knowledge.

#### Ministerial Industries

Since 1949, the average wage for workers in heavy industry has increased at a greater rate than in light industry and in the food industry, partially by reason of wage measures and partially by reason of technical advances.

Using 1949 as a base period, the following indexes show the pattern of average monthly earnings in the ministerial industries:

<u>Industry</u>	<u>Index of Average Monthly Earnings</u> (1949 equals 100)				
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
All ministerial industries	114.5	122.4	155.7	162.9	181.7
Heavy industry	114.4	122.0	156.2	163.3	183.2
Light industry	115.0	122.0	153.6	156.3	174.2
Food industry	112.3	117.6	141.4	143.8	166.9

The rise in wages from 1953 to 1954 was largely a result of relaxed wage discipline, and wage inequities became more marked. For example, in June 1954, cabinet workers in enterprises of the Ministry of Light Industry earned 10.8 percent less than those in enterprises of the Ministry of Metallurgy and the Machine Industry and 21 percent less than those under the Ministry of the Chemical Industry.

At the Scales Factory (Merleggyar), the norm for sawing up two pieces of iron rod was set at 16 hours, while the actual time required for the job was only 57 minutes. Thus, the workers exceeded the norm by 1,700 percent and earned about 4,000-5,000 forints per month throughout the year.

#### Construction Industry

Despite increased wages in the construction industry, by the last quarter of 1954, its work force was only 95.2 percent of the requirement. The shortage is attributable to higher earnings obtainable in other sectors of the economy.

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In Pest Megye during September and October 1954, the nationalized construction industry paid stonemasons 23 percent less, carpenters 58.9 percent less, and unskilled workers 42.4 percent less than they could have earned as independent craftsmen.

The average monthly pay of construction workers in the ministerial industries was 37.2 percent higher than that of equivalent workers in the construction industry.

The administrative system for accounting for work performed and for wages is so complicated that the workers find ways to draw pay for work they have not performed. This, coupled with a lowering of norms, has resulted in the expenditure by the construction industry of millions of forints not backed by production. An examination of eight completed construction projects revealed, for example, that wage outlays exceeded technically justifiable labor costs by 27 percent.

#### Agriculture

Wage laxities have played a lesser part in the increase of agricultural earnings than in other sectors of the economy; rather, the marked increase in earnings in 1954 was a result of specific wage improvement measures.

The following table shows the increase of the average monthly earnings of agricultural workers in several branches of that sector during 1954.

<u>Branch</u>	<u>Average Increase</u> (index: 1953 equals 100)
State farms	121.0
MTS	100.7
Forest conservation	111.5
Special enterprises	117.1

Despite the favorable pattern of agricultural wages as a whole, there are several inequities in the wage scale of the state farms, and the wages of the MTS tractor drivers did not increase in proportion to the general rise in wages.

On the state farms belonging to the Ministry of State Farms, plant cultivation workers in 1954 earned 15 percent less than those engaged in animal husbandry. The facts that the premium system in animal husbandry is more favorable than in plant cultivation and that work in the latter field is seasonal do not fully explain the wage differential. In 1954, even during the second quarter, the most favorable season for plant cultivation, such workers earned 24 percent less than animal husbandmen on the state farms under the Ministry of State Farms and 27.6 percent less than those on all state farms.

The inequitable wage system not only induces brigade leaders to falsify work reports but also to stress extensive rather than intensive cultivation. As a result, workers on small farms who engage in quality production often earn less than those on the larger farms.

Although most MTS employees enjoyed sizable wage increases in 1954, the earnings of the tractor drivers increased by only 4.1 percent during the first half of the year. In this same period, the average earnings of MTS shop workers rose by 24.8 percent.

In 1954, tractor drivers earned an average of only 5 percent more (including grain payments) than cultivation workers on state farms.

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In addition to the disparity between the earnings of tractor drivers and the earnings of workers both within and without agriculture, there are considerable variations in the earnings of tractor drivers of the various MTS.

For example, the average earnings of MTS tractor drivers in Szolnok Megye exceeded the national average [probably of tractor drivers' earnings] by 36.2 percent. In Nograd Megye, their earnings exceeded the national average by 14.8 percent, while in Zala Megye, they were 19.4 percent below the national average. But, at certain MTS in both Szolnok Megye and Zala Megye, the earnings of the tractor drivers were as much as 40 percent below the national average.

In some cases, such inequities are a result of the failure to estimate varying soil conditions. However, where soil conditions are identical, investigation revealed that wage inequities are a result of serious laxity in work discipline, which is evidenced by the failure of many tractor drivers to fulfill their technical norms (muszaknormak) [i.e., the daily output prescribed for MTS tractor drivers].

In addition to the aforementioned causes, variations in the earnings of tractor drivers are attributable to inclement weather and to equipment breakdown resulting from poor maintenance, the lack of spare parts, and the use of worn-out equipment.

Where work discipline and maintenance are good and the soil conditions appropriate, the earnings of tractor drivers are high. At six of the better MTS in Szolnok Megye, for example, out of a total of 668 drivers, 153 earned over 1,800 forints during September 1954, including many who earned up to 4000-6000 forints.

The average earnings of the state farm tractor drivers are higher than the average earnings of the MTS tractor drivers, because the work flow and working conditions are more favorable and the norms frequently are lower. The average monthly earnings of state farm tractor drivers range between 3,000 and 5,000 forints.

During the first half of 1954, MTS "hauling-tractor" drivers earned an average of about 200 forints per month more than MTS tractor drivers. Such a disparity is unjustifiable, because the tractor driver does the more important work of the two.

Even though the hauling-tractor drivers increased their earnings by working overtime (often 300-400 hours per month) during the period January-June 1954, their basic pay (for 250 hours per month) was still higher than that of tractor drivers, including grain payments and premiums.

[Comment: In addition to the information presented in the foregoing text, the source includes specific examples of local practices which give rise to wage inequities. Also included are the following tables:

1. A percentage comparison of the average wages earned in June 1954 by skilled workers (lathe operators, planers, welders, engine fitters, blacksmiths, and mill-machine operators) of six machine factories with the average wages earned by their counterparts in the enterprises under the Ministry of Metallurgy and the Machine Industry.
2. A percentage comparison of the June 1954 earnings of skilled workers (lathe operators, welders, building and decorative metal workers, and vehicle fitters) in the coal mining, chemical, electric power, light, food, and construction industries and in transportation and postal work with the June 1954 earnings of employees of enterprises under the Ministry of Metallurgy and the Machine Industry.

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3. The number of technical norms and workdays completed by tractor drivers of five MTS in September 1954.

4. The classification of the tractor drivers of seven MTS in accordance with the number of technical norms fulfilled, including the number of tractor drivers at each MTS.

5. The number of tractor drivers and the pattern of their earnings at seven MTS, according to the number of technical norms completed.

6. A percentage comparison with the national average monthly wage (probably of tractor drivers) of the average earnings in September 1954 of the tractor drivers in Szolnok Megye and at several MTS.]

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